

Internal Revenue Service

Department of the Treasury

201-548-1234  
Revised copy at District

Washington, DC 20224

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AUG 19 1993

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

Employer Identification Number:

Key District Office:

Dear Applicant:

We have considered your application for recognition of exemption as an organization described in section 501(c)(6) of the Internal Revenue Code. Based on the information submitted, we have concluded that you do not qualify for exemption under that section.

You were incorporated under the laws of the State of [REDACTED] on [REDACTED]. You submitted your application for exemption on [REDACTED]. You state that your purposes are to involve and educate local elected officials about partisan politics, without supporting or opposing any candidate for elective office. You will meet with interested parties, including public officials, to discuss partisan politics in the State of [REDACTED].

You have stated that the focus of your programs is to benefit the local elected officials throughout [REDACTED]. You state that you provide the opportunity for the officials to discuss issues affecting them as local elected officials.

Another of your activities is the publication of a newsletter. In the [REDACTED] Issue of your newsletter you salute the winning [REDACTED] tickets, as well as, give a brief biography of the winning [REDACTED] candidates. In this same issue, you state that you will serve as a forum for state and national [REDACTED] leaders to address local elected officials. In addition, you state that your purpose is to identify and involve in partisan politics the more than [REDACTED] holding non-partisan offices in [REDACTED]. Finally, you state in this same issue that with the help and involvement of local elected officials the [REDACTED] will remain strong and continue to grow as we move into the 21st century. You state that although your newsletter makes reference to the qualifications of fellow members for office you do not support or oppose any candidate for public office. Your newsletters have partisan remarks, support partisan activities and philosophies and your leadership is comprised of registered [REDACTED].

[REDACTED]

In another newsletter from the Winter of [REDACTED], your Chair, [REDACTED], supports a program called [REDACTED] which encourages local elected officials registered as [REDACTED] (or any other political party), but adhering to [REDACTED] philosophies, to re-register. In this same issue, you discuss how reapportionment will brighten the future for [REDACTED] in [REDACTED].

[REDACTED], a political/public affairs consulting firm, has been directing you for more than [REDACTED] years. You stated that [REDACTED] is interested in becoming acquainted with local elected officials because they serve as a potential source of business either as candidates or as a source of referrals for people dealing with the officials.

You state that any person interested in the purpose of your organization may become a member. Membership dues are \$[REDACTED] annually. Each member is entitled to vote on issues submitted to the members by the Board of Directors. However, such vote is advisory only and is not binding on the board. You have stated that most of your members are [REDACTED], but partisan registration is not a prerequisite for membership.

You will fund your activities by contributions from the general public, including those members of the general public identified by the organization as having an interest in your issue. In addition, you seek corporate sponsorships in the amount of \$[REDACTED] or \$[REDACTED] to generate sufficient revenue to provide member services. Approximately \$[REDACTED] of your [REDACTED] contributions came from corporate sponsors and approximately \$[REDACTED] came from individual contributors.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax of business leagues or chambers of commerce, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league or chamber of commerce as an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. The activities of the association must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In National Muffler Dealers Association, Inc. v. U.S., 440 U.S. 472 (1979), the Supreme Court held that an organization that promotes a single brand of muffler is not exempt under section

In Guide International Corp. v. U.S., No. 89 C 2345 (May 8, 1990), the court concluded that an association of computer users did not qualify for exemption under section 501(c)(6) because it benefited essentially users of IBM equipment.

The activities of a business league must be directed to the improvement of business conditions of one or more lines of business in order to qualify for exemption. Although you have stated that you do not require your members to have a political affiliation with the [REDACTED] party, you have stated in several of your publications that you will be promoting the interests of individuals in the [REDACTED] party and the [REDACTED] party itself. The name of your organization includes "[REDACTED]", you uphold [REDACTED] philosophies and your leadership is comprised of all [REDACTED] party members. You actively recruit [REDACTED] members to the exclusion of [REDACTED] members and your Chair supported a program which switches [REDACTED] to [REDACTED].

The term "line of business has been interpreted to mean either an entire industry, see, e.g. American Plywood Assn. v. United States, 267 F. Supp. 830; National Leather & Shoe Finders Assn. v. Commissioner, 9 T. C. 121 (1947), or all components of an industry within a geographic area, see, e.g., Commissioner v. Chicago Graphic Arts Federation, Inc., 128 F. 2d 424 (CA7 1942); Crooks v. Kansas City Hay Dealers' Assn., 37 F. 83 (CA8 1929); Washington State Apples, Inc. v. Commissioner, 46 B. T. A. 64 (1942). Business groups whose membership and purposes are narrower have consistently been denied exemption.

Any success that you might have in educating and supporting [REDACTED] local elected officials, and any advantage you might gain through tax exemption, would come at the expense of the rest of the local elected officials. Your purpose is too narrow to satisfy the line of business test and therefore you do not qualify

under section 501(c)(6) of the Code. See National Muffler Dealers Association, Inc., National Prime Users Group, Inc., and Guide International Corp., supra.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days from today and must be signed by one of your principal officers. When sending a protest or other correspondence with respect to this case, you will expedite its receipt by placing the following symbols on the envelope: [REDACTED]. These symbols do not refer to your case, but rather to its location.

You also have the right to a conference in this office after your protest statement is submitted. If you desire a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to the District Director, Los Angeles, California, which is your key district for exempt organization matters. Thereafter, any questions about your federal income tax status should be addressed to your District Director.

Sincerely yours,

[REDACTED]  
[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 4

cc: [REDACTED]

cc: [REDACTED]